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DELAWARE P.S.C.

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VIA Email and Overnight Delivery

Ms. Alisa Bentley  
Secretary  
Delaware Public Service Commission  
861 Silver Lake Blvd., Suite 100  
Dover, DE 19904

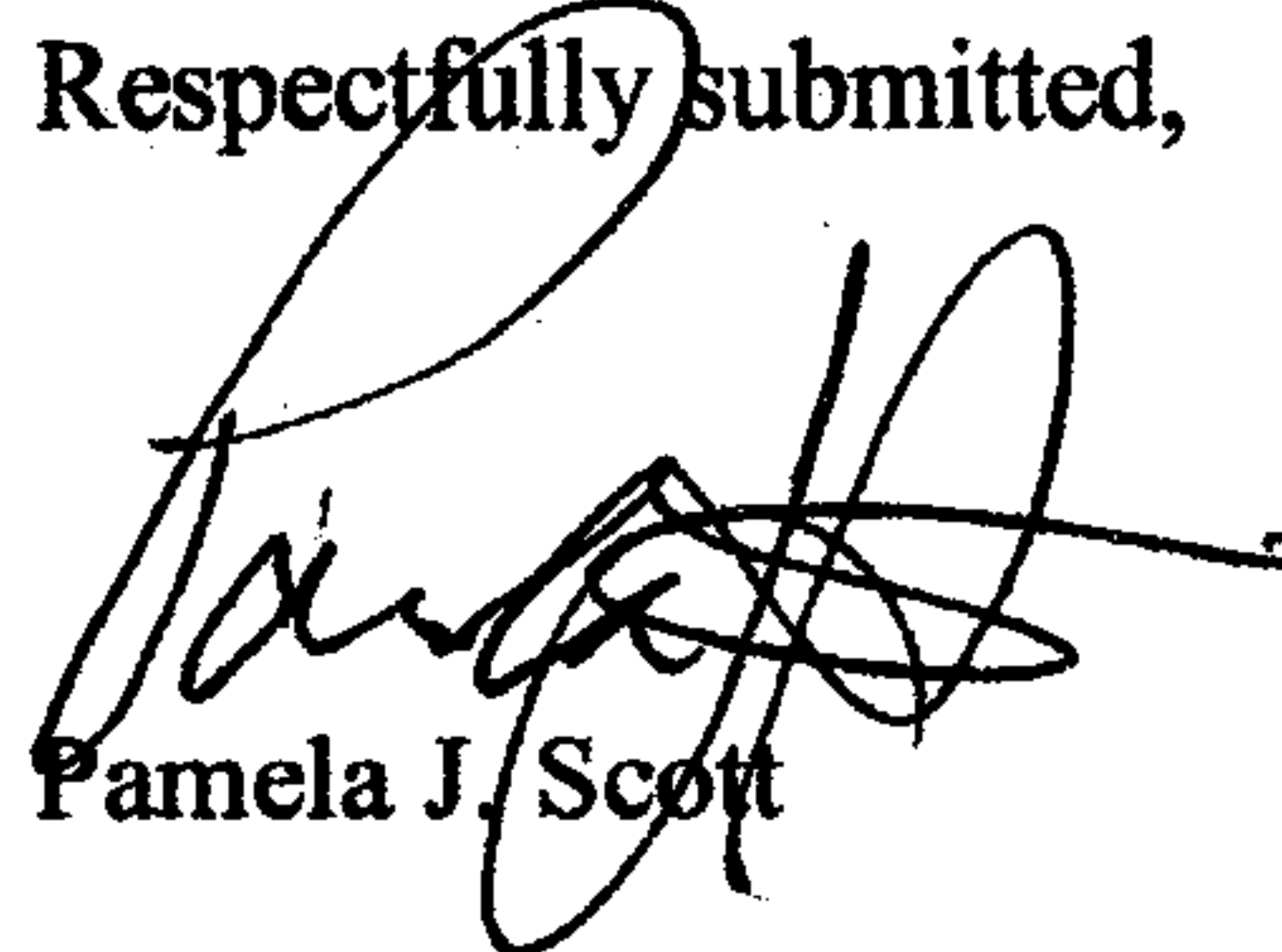
Re: **Delmarva Power & Light Company's Gas Rate Refund Plan**  
**PSC Docket No. 12-546**

Ms. Bentley:

In compliance with Delaware Public Service Commission ("DPSC") Corrected Order No. 8465 in the above referenced docket, attached please find the gas rate refund plan of Delmarva Power & Light Company ("Delmarva"). Delmarva submits this plan pursuant to the Settlement Agreement in DPSC Corrected Order No. 8465. Please note that this plan has been updated based on Corrected Order No. 8465, and otherwise is the same as the Rate Refund Plans submitted in previous dockets.

Please feel free to call me at (302) 429-3143 or Pamela Long at (302) 283-6033 if you have any questions regarding this gas rate refund plan.

Respectfully submitted,



Pamela J. Scott

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**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION	)	
OF DELMARVA POWER & LIGHT COMPANY	)	
FOR AN INCREASE IN GAS BASE RATES	)	PSC DOCKET NO. 12-546
AND MISCELLANEOUS TARIFF	)	
CHANGES	)	
(FILED DECEMBER 7, 2012)	)	

**Delmarva Power & Light Company Refund Plan**

In compliance with the Delaware Public Service Commission Corrected Order No. 8465 in Docket No. 12-546, Delmarva Power & Light Company (Delmarva or Company) submits its Gas Refund Plan (Plan) as discussed below.

**I. Background**

On December 7, 2012, Delmarva filed an application with the Delaware Public Service Commission (Commission) seeking approval of (a) an increase in its gas base rates, (b) a new rate mechanism called the Utility Facility Relocation Charge Rider ("Rider UFRC"), (c) a modification to the tariff relating to natural gas line extensions and (d) miscellaneous tariff changes. In its application, Delmarva requested an increase in annual operating revenues of approximately \$12.1 million or a 6% increase over then current rates.

On July 2, 2013, the Commission issued Order No. 8406. This Order confirmed that Delmarva has the statutory right, pursuant to 26 *Del. C.* §306(a)(1), after the expiration of seven months from the filing of its rate increase to place into effect an interim increase, subject to refund, so long as said rates will not produce an increase in excess of 15% of the Company's annual gross operating intrastate operating revenues. This Order also required Delmarva to submit a refund bond, without surety. On July 5, 2013, Delmarva submitted a rate refunding bond, without surety, in the amount of \$10,498,971. On July 7, 2013, the seven months had elapsed and Delmarva put a rate increase of approximately \$10.5 million into effect.

On August 27, 2013, Delmarva, Commission Staff, Division of the Public Advocate, Caesar Rodney Institute and Hillstream II Property Owners Association entered into a Settlement Agreement in this docket. On September 30, 2013, the Hearing Examiner in this docket issued a report which recommended approval of the Settlement Agreement. On October 22, 2013, the Commission voted to approve the Hearing Examiner's Recommendation and the Settlement Agreement, pursuant to Corrected Order No. 8465.

The Commission approved a total revenue requirement increase of \$6.8 Million as outlined in the Settlement Agreement to be effective on November 1, 2013. This amount is less than the distribution rates placed into effect on July 7, 2013, based on Order No. 8406 as noted above. Delmarva's customers are entitled to a refund, plus interest, for the period between when Delmarva's requested rate increase was placed into effect on July 7, 2013 and when the final approved rates were placed into effect on November 1, 2013. This Plan is filed in compliance with the Settlement Agreement, Paragraph 3 and Commission Corrected Order No. 8465, Ordering Paragraph 5.

## **II. Applicability of the Refund**

Any Delmarva customer who received service from July 7, 2013 through October 31, 2013 is entitled to a refund for the difference between final ordered rates and the rates placed into effect on July 7, 2013. This includes customers who are active and those that have left the Company's system. If a customer has left the Company's system, it means that they are no longer a Delmarva customer.

## **III. Proposed Timing of the Refunds**

The Company anticipates refunds to be applied to customer's accounts beginning February 18, 2014.

## **IV. Mechanics of the Rate Refund**

The Company's Billing System rate refund process uses a batch system that recalculates billed revenue using the final rate factors (November 1, 2013 rates) compared to those used in the actual bill calculation (July 7, 2013 rates). The process begins with a request from the Regulatory Compliance team that identifies the time frame affected by the rate change, as well as the final approved rate factors that replace the original rates used during the actual billing process.

The final approved rate factors are loaded in a test system effective with the July 7, 2013 date. These rates replace the rates that had been in effect during the dictated time period. Based on the request from the Regulatory team, the rate refund process is set up to select the accounts and bill periods that potentially require a refund. This process selects active and inactive accounts. Once the accounts are identified, the refund process recalculates the revenue based on the final approved rates for each account and bill period affected. The recalculated revenue is compared to the original billed revenue and the difference is the refund adjustment. Reports are produced that list each account and adjustment by bill period. Selected accounts from the reports are reviewed to ensure that the recalculated revenue and the adjustment amounts are correct.

Reports are also generated to identify exceptions. These exceptions include accounts with bill periods that were not recalculated due to various conditions. These conditions include items, such as, zero day bills, previously adjusted using the miscellaneous adjustment, and accounts that did not complete billing. Exceptions are reviewed and adjusted manually, if necessary.

Next, a file is created with each account and the accompanying refund adjustment. This file is used to calculate interest and post adjustments to the Accounts Receivable database. Reports are produced from this process and selected accounts reviewed to verify the interest calculated and that the adjustments are posted correctly. Adjustments are posted as separate lines for each bill period. Interest is also displayed as a separate line item by bill period.

After the refund adjustments are posted, revenue reports are produced with the adjusted revenue. Reports detailing this information are then provided to Revenue Accounting.

The refund adjustment appears on the bill as a line item in the Billing Summary section. Test bills are produced from a test batch billing and the line items are verified on selected bills. After the



testing is completed, the same process is run in the production system. Accounts are reviewed in production and selected bills are verified.

Due to the volume of adjustments and the processing time involved, this rate refund will be processed over the three-day weekend of February 15, 2014 through February 17, 2014. If a customer has an inactive account but no active account with the Company, after the credit adjustments are applied to the account, a refund check will be processed using the mailing address on the Company's Billing System or last known address.

## **V. Interest Rate to be Applied**

The rate refund interest rate to be applied in this instance is the prime rate of 3.25% per Order No. 2696; PSC Regulation Docket No. 11. Interest will be calculated based on the overpayment of the billing periods being refunded, from July 7, 2013 through the date of the credit adjustment.

Interest will be calculated on each adjustment amount. The interest calculation is as follows:

Interest amount rounded = (elapsed days \* (adjustment amount) \* interest rate) / 365

Elapsed days = calendar day difference between refund date and period end date.

The refund adjustments will appear on the next regularly scheduled bill after the adjustment is posted. The adjustments and interest will be combined as one line item on the bill with the description: Rate Refund + 3.25% Interest

## **VI. Customer Communications**

A general statement about the Gas Rate Refund was included in the November 2013 bill insert. After the credits are posted, a message will appear on the bill. Also, a News Release will be made jointly with the Gas Rate Refund information. Attached are the Call Center Frequently Asked Questions.

## **VII. Reporting Requirements (Summary of total refund dollars)**

Sixty (60) days after the last refunds are posted, Delmarva will provide the Commission with a summary report of the refunds applied to customer accounts; interest paid will be reported separately.

## **VIII. Customer Care Credit and Collections Process**

The credit adjustments will be applied toward the customer's account arrearages. If the same customer with the Company has an inactive account and an active account, after the credit adjustments are applied to the inactive account, the credit adjustments would then be moved to the customer's active account. If a customer has an inactive account but no active account with the Company, after the credit adjustments are applied to the inactive account, a letter will be sent to that customer stating that a refund is due. After the customer sends a copy of the letter back with a corrected address or additional information, a refund check would then be issued. If there is no response or if the letter comes back undeliverable, those refund dollars would be escheated to the State of Delaware pursuant to the provisions of Title 12, Ch. 11 of the Delaware Code. If a customer has a charged off account with the Company, the account will be reinstated (removed from charged-off status), the credit adjustment will be applied and if there is still a balance, the

status would be charged off. The collection agency will be notified of updates to charged-off accounts. Delmarva's uncollectible balances will be reduced by these credit adjustments.

# **Delaware Natural Gas Rate Refund Communications Plan DRAFT 11/25/13**

## **Background:**

On December 7, 2012, Delmarva Power filed for a natural gas distribution rate increase of \$12.1 million with the Delaware Public Service Commission (PSC). On July 7, 2013, pursuant to Delaware law, Delmarva Power implemented a temporary natural gas distribution rate increase of \$10.5 million in Delaware while it awaited a final decision from the PSC on the original rate increase request.

In October 2013, the PSC approved natural gas rate increase of \$6.8 million, which took effect on November 1, 2013. An estimated portion of the \$3.7 million annual difference between rates implemented and rates approved will be refunded to Delmarva Power's Delaware customers, beginning February 18, 2014. The refund amount will include interest to customers.

## **Key Messages:**

- Because the PSC approved an amount less than the Company's full request, customers will be issued a refund based on each customer's use multiplied by the difference between the amount of the temporary increase and the final amount approved by the PSC. The customer refund, which by law includes interest to customers, is owed for the time period of July 2013 through October 2013.
- The typical residential customer who uses XX\* of natural gas a month should expect to see a total rate refund of approximately \$XX\* plus interest. This total rate refund will be issued to all customers in a bill credit, beginning February 18, 2014.
- The refund interest rate is the prime rate, which is 3.25 percent

A much smaller percentage of customers will receive their refund by check. These customers had active accounts between July 2013 and October 2013 but no longer have an active Delmarva Power natural gas account.

\*Pending completion of billing system testing

- Interest amounts will be calculated based on the overpayment of the billing periods being refunded, from July 7, 2013 through the date of when the credit is issued to the customer.

**SPECIAL NOTE TO CUSTOMER CARE:**

Customers on budget billing will not see the refund amount as a line item on their bill. The refund amount will be deducted from their budget balance. The refund amount and the interest amount can be seen as separate line items on V/ARHST.

**Frequently Asked Questions:**

**1) Why am I getting a refund?**

The customer refund, which includes interest, is owed from when Delmarva implemented its temporary rate increase request in July 2013. Because the PSC approved a final amount less than the Company's full request, customers are being issued a refund, which includes interest, in the form of a bill credit.

**2) How did you determine the interest rate?**

By law, the refund interest rate is the prime rate, which is 3.25 percent.

**3) Is the refund the same for everyone?**

No, your refund is determined by how many ccf of natural gas you used during those four months (July 2013 through October 2013) when you were paying a higher natural gas distribution rate.

**4) How did you determine the refund amount?**

The refund is the difference in the rate you were charged from July 2013 through October 2013 and the rate that the Commission approved, which took effect on November 1, 2013. We multiplied the difference in rates by the amount of natural gas you used for those four months to determine your refund amount. We then multiplied your refund amount by the prime interest rate to determine how much you were owed.

**5) If I have an overdue balance, will this refund be applied to it?**

Yes, bill credit will be applied to reduce the past due amount.



**Proposed Bill Message (196 characters w/spaces):**

This bill includes a natural gas refund credit, which includes interest. The refund is due to customers for higher delivery rates charged from July 2013 through October 2013.

**DRAFT NEWS RELEASE**

In December 2012, Delmarva Power filed for a natural gas distribution rate increase with the Delaware Public Service Commission (PSC). In July 2013, pursuant to Delaware law, Delmarva Power implemented a temporary natural gas distribution rate increase of \$10.5 million in Delaware while it awaited a final decision from the PSC regarding its request to raise natural gas distribution rates.

In October 2013, the PSC approved a natural gas distribution rate increase of \$6.8 million, which took effect on November 1, 2013. An estimated \$3.7 million difference between rates implemented and rates approved from July 2013 through November 2013 will be refunded to Delmarva Power's Delaware customers, beginning February 2014. The refund amount will include interest, paid to the customer.

The typical residential customer who uses XX\* ccf of natural gas a month should expect to see a total rate refund of \$XX\*, plus 3.25 percent interest. This total rate refund will be issued to all customers in a credit, beginning February 18, 2014.

A much smaller percentage of customers will receive their refund in a check. These customers had active accounts between July 2013 and October 2013 but no longer have an active Delmarva Power gas account.

\*Pending completion of billing system testing